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EXTENDING AND IMPROVING THE UNEMPLOYMENT-COMPENSATION PROGRAM

JUNE 29, 1954.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. REED of New York, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 9709]

The Committee on Ways and Means, to whom was referred the bill (H. R. 9709) to extend and improve the unemployment-compensation program, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSES

H. R. 9709 extends the unemployment-insurance system to almost 4 million workers to whom this protection is not available today. Thus, your committee's bill provides the first major extension of the unemployment-insurance system since its inception in 1935.

With the exception of relatively minor adjustments, the Federal Unemployment Tax Act has remained substantially unchanged in the almost 20 years which have elapsed since its enactment. However, your committee believes it no longer appropriate to deny the basic protection of this system to any segment of our working population to whom extension of coverage is demonstrably practical, and to whom coverage can be extended without doing violence to the need for recognition of State and local variations in employment conditions. This objective is achieved by H. R. 9709.

Your committee has recently recommended the extension of the old-age and survivors insurance system to approximately 10 million persons now excluded from that program. While these two proposals for broad extension—first with respect to old-age and survivors insurance and now with respect to unemployment insurance—are in no sense dependent upon each other, your committee conceives of

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them as part of a broad program to bring our social-security system to maturity.

Historically, unemployment insurance has been primarily a State program. H. R. 9709 continues this basic pattern. While the problem of unemployment must always be one of national concern, geographic variations both in economic conditions and in employment practices make it essential that actual implementation of an unemployment-insurance system be carried out by State action. As a result, the Federal Unemployment Tax Act has never concerned itself with the amount of benefits or the duration for which benefits may be paid. These have always been matters for State determination. In his economic report transmitted to the Congress on January 28, 1954, the President described the present level of benefits as inadequate and the duration of benefits as deficient in many States. He urged State action to correct these defects. Your committee agrees with the President that these matters should be left to State determination.

The major purposes of H. R. 9709 are summarized as follows:

1. The Federal Unemployment Tax Act is extended to employers of 4 or more employees in each of 20 weeks (instead of 8 or more in 20 weeks as under the present law). It is estimated that this provision will make unemployment-insurance protection available to approximately 1.3 million workers not now covered.

2. Unemployment insurance is extended to substantially all Federal civilian employees, an addition of approximately 2.5 million workers.

3. States are authorized to extend experience-rating tax reductions to new and newly covered employers after they have had at least 1 year of coverage under the State law instead of 3 years as required today.

4. The bill eliminates the privilege of paying the Federal unemployment tax in quarterly installments.

GENERAL STATEMENT

1. Extension of tax to employers of four or more

The bill extends the Federal Unemployment Tax Act to employers who employ 4 or more employees in each of 20 weeks during the year. The present law limits the tax to employers of 8 or more in the same period, although a number of States have already lowered their own requirements so as to cover employers with less than 8 employees. (See table, pp. 4, 5.)

From the standpoint of the individual worker, unemployment insurance protection is as important if he works for a small employer as if he works for an employer of thousands. Moreover, it is as important to maintain the purchasing power of employees of small firms as of large firms. In this connection, the extension of coverage provided by your committee's bill would particularly benefit small communities where a large proportion of workers are employed by small firms.

Your committee is satisfied that administrative difficulty is no longer a substantial obstacle to extending coverage to small firms. On the other hand, your committee believes that the further coverage is extended into this area, the further the Federal Government is moving into an area where differences in State and local conditions

become a significant factor. There is a twilight zone where needed flexibility can only be maintined through State action. It may be appropriate that unemployment protection be extended into this fringe area, but your committee believes that such extension should be left to State determination in the light of local variations in employment patterns. Your committee does not believe that this problem exists to any appreciable extent with respect to the extension of coverage to employers of four or more.

Selected data on unemployment compensation

State	Statutory minimum number of workers and period for employer coverage	Legal range of benefits				Benefits paid in 1953 (in thousands)	Average actual duration in 1953 (weeks)	Federal grants to States, fiscal year 1953 (in thousands)	Federal tax collections, fiscal year 1953 (in thousands)
		Benefits [1]		Weeks duration					
		Minimum	Maximum	Minimum	Maximum				
United States						$962,221	10.1	$196,323	$275,825
Alabama	8 in 20 weeks	$6	$22	11+	20	10,520	12.1	2,841	3,193
Alaska	1 at any time	$8–$10	$35–$70	12	26	5,641	9.7	659	395
Arizona	3 in 20 weeks	$5–$7	$20–$26	10	20	2,568	8.7	1,672	914
Arkansas	1 in 10 days	$7	$22	10	16	6,014	9.3	1,943	1,337
California	1 at any time	$10	$30	15–10+	26	97,363	11.4	19,775	21,516
Colorado	8 in 20 weeks	$7	$28–$35	10	20–26	2,117	9.3	1,508	1,861
Connecticut	4 in 13 weeks	$8–$11	$30–$45	15–10	26	7,966	6.3	3,002	5,634
Delaware	1 in 20 weeks	$7	$25	11	26	1,167	7.9	431	793
District of Columbia	1 at any time	$6–$7	$20	12+	20	2,365	10.7	1,230	1,564
Florida	8 in 20 weeks	$5	$20	7+	16	7,780	9.2	3,163	3,281
Georgia	do	$5	$26	20	20	10,226	10.3	3,051	4,030
Hawaii	1 at any time	$5	$25	20	20	2,858	11.2	634	637
Idaho	do	$10	$25	10	26	3,684	10.9	967	648
Illinois	6 in 20 weeks	$10	$27	18+–10	26	51,085	9.1	9,292	20,833
Indiana	8 in 20 weeks	$5	$27	12+–6+	20	16,748	7.1	3,339	8,654
Iowa	8 in 15 weeks	$5	$26	6+	20	5,088	8.7	1,650	3,000
Kansas	8 in 20 weeks	$5	$28	6+	20	7,041	8.7	1,509	2,477
Kentucky	4 in 3 quarters	$8	$28	26	26	17,665	13.0	2,329	3,105
Louisiana	4 in 20 weeks	$5	$25	10	20	10,356	12.6	2,806	3,323
Maine	8 in 20 weeks	$9	$27	20	20	5,788	9.7	1,053	1,393
Maryland	1 at any time	$6–$8	$30–$38	7+	26	11,911	7.6	3,203	4,294
Massachusetts	1 in 13 weeks	$7–$9	$25 [2]	21+–6	26	41,081	10.0	8,878	10,664
Michigan	8 in 20 weeks	$10–$12	$30–$42	9+	26	39,185	7.1	8,837	15,893
Minnesota	1 in 20 weeks [3]	$11	$30	15	26	11,021	11.3	3,108	4,013
Mississippi	8 in 20 weeks	$3	$30	16	16	6,641	10.1	2,089	1,276
Missouri	do	$0.50 [2]	$25	(2)	24	15,534	8.2	3,451	6,607
Montana	1 in 20 weeks	$7	$23	20	20	2,347	10.8	1,022	688
Nebraska	8 in 20 weeks	$10	$26	10	20	2,577	8.3	953	1,371
Nevada	1 at any time	$8–$11	$30–$50	10	26	1,567	9.1	575	315
New Hampshire	4 in 20 weeks	$7	$30	26	26	5,877	10.6	943	955
New Jersey	do	$10	$30	13	26	59,757	10.7	8,934	11,586
New Mexico	1 at any time	$10	$30	12	24	2,455	10.6	1,021	707
New York	4 in 15 days	$10	$30	26	26	178,597	11.9	29,586	35,956
North Carolina	8 in 20 weeks	$7	$30	26	26	20,973	10.9	3,731	4,948
North Dakota	do	$7–$9	$26–$32	20	20	1,987	12.5	664	373
Ohio	3 at any time	$10–$12.50	$30–$35	12–9+	26	32,542	9.2	8,619	19,253
Oklahoma	8 in 20 weeks	$10	$28	6+	22	7,251	10.7	2,132	2,389
Oregon	4 in 6 weeks	$15	$25	8+	26	19,208	10.4	2,373	2,799

Pennsylvania	1 at any time	$10	$30	13	26	102,359	9.8	14,981	23,877
Rhode Island	4 in 20 weeks	$10	$25	10+7+	26	12,565	9.9	1,717	1,858
South Carolina	8 in 20 weeks	$5	$20	18	18	9,055	10.1	2,315	2,483
South Dakota	do	$8	$25	10	20	730	9.3	512	411
Tennessee	do	$5	$26	22	22	16,369	11.0	3,009	3,932
Texas	do	$7	$20	5	24	11,891	9.2	7,299	10,704
Utah	1 at any time	$10	$27.50	16-15	26	3,168	10.1	1,379	937
Vermont	8 in 20 weeks	$10	$25	20	20	1,299	9.1	634	507
Virginia	do	$6	$24	6	16	8,203	7.8	1,890	4,051
Washington	1 at any time	$10	$30	15	26	29,027	11.3	3,960	4,182
West Virginia	8 in 20 weeks	$10	$30	24	24	13,954	9.5	1,428	3,316
Wisconsin	6 in 18 weeks	$10	$33	10	26+	17,934	8.2	2,981	6,517
Wyoming	1 at any time	$10-$13	$30-$36	8	26	814	7.2	603	376

[1] When 2 amounts are given, higher includes dependents' allowances, except in Colorado where higher amount includes 25 percent additional for claimants employed in Colorado by covered employers for 5 consecutive calendar years with wages in excess of $1,000 per year and no benefits received.

[2] If the benefit is less than $5 benefits are paid at the rate of $5 a week; no qualifying wages and no minimum weekly or annual benefits are specified.

[3] Employers of less than 8 outside the corporate limits of the city, village, or borough of 10,000 population or more are not liable for contributions unless they are subject to the Federal Unemployment Tax Act.

Source: U. S. Department of Labor, Bureau of Employment Security, Division of Actuarial and Financial Services, June 7, 1954.

2. Reduced rates for new and newly covered employers

In all States, employers are granted reductions in the unemployment taxes they must pay the State if their unemployment experience meets certain requirements. The Federal Unemployment Tax Act allows employers to credit this reduction against their Federal unemployment tax. In other words, an employer who has received such a reduction is credited with the difference between the amount actually paid and the amount he would have been required to pay if he had not received the reduction. The Federal law grants this additional credit, however, only if the State law requires an employer to have at least 3 years of experience before he can be given a tax reduction. This means that a new or newly covered employer is required to pay the full tax for at least these initial years even though his experience in those years is as favorable as that of an established employer. In many States, this means that new employers carry a very large proportion of current unemployment taxes. They are thus put at a competitive disadvantage with established employers and are required to carry an extra financial load at a time they can perhaps least afford it.

The President, in his economic report of January 28, 1954, recommended that "Congress allow the shortening, from 3 years to 1, of the period required to qualify for a rate reduction." Section 2 of H. R. 9709 carries out this recommendation in its entirety. In effect, during the first 3 years of an employer's coverage, the amendment will permit a State to tie the period of experience required before rate reduction to the period of time the new employer has had experience under the law. In other words, the rate for an employer who has had 1 year's experience may be based on 1 year's experience, the rate for 1 who has had experience for 2 years, on the basis of 2 years' experience.

It would be emphasized that this amendment merely permits a State to extend a rate reduction on the basis of 1 year's experience if it desires to do so. It does not require such State action.

The amendment is not intended to give new and newly covered employers any competitive advantage over established employers, but merely to equalize as much as possible the opportunity for rate reductions between new and established employers. The factors used to measure the experience of employers vary from State to State. Under the amendment, it is intended that the State measure the experience of new and newly covered employers by the same factor (or factors) that it uses to measure the experience of established employers. For example, one of the most common factors is a reserve balance (the excess of contributions collected over benefits paid and charged to the employer's account). Thus, a State which uses a reserve balance for established employers must do so for new employers. However, in some States, an employer who does not have 3 years of experience, as the Federal law now requires, could not attain the reserve balance now required of established employers. In these States, therefore, a proportionate reduction would have to be made in this reserve requirement to enable new employers with less than 3 years' experience to take advantage of the permission granted by the bill's new rate-reduction provision. Since the bill does not intend to give new employers any greater advantage than established employers, any difference in reserve requirements granted to new employers would therefore have to bear the same proportion to the requirement placed on established employers as the period of coverage

required of the two groups. For example, if a 6-percent reserve requirement is required of established employers with 3 years' experience, at least 4 percent must be required of employers with 2 years' experience.

3. Elimination of quarterly installment privilege

The bill eliminates the right to pay the unemployment tax in quarterly installments. This amendment is designed to relieve the Government of an existing administrative burden. Moreover, this administrative burden would be somewhat increased if the new employers covered by this bill were permitted to pay their tax in quarterly installments.

Elimination of this provision should not impose an undue burden on taxpayers. This is indicated by the fact that some 85 percent of the total taxes due are now paid at the time of filing the return without using the installment-payment option. Furthermore, unlike the old-age and survivors insurance tax, the unemployment tax is not due until the year after that in which the taxable wages are paid. The old-age and survivors insurance tax, on the other hand, is payable in quarterly installments during the year in which the wages are paid.

4. Coverage of Federal civilian employees

In his Economic Report, the President stated:

> A worker laid off by a Government agency gets no insurance benefits despite the fact that in many types of Federal jobs he is as vulnerable to layoff or dismissal as the factory worker. It is recommended that Congress include in the insurance system the 2.5 million Federal civilian employees, under conditions set by the States in which they last worked, and that it provide for Federal reimbursement to the State of the amount of the cost, estimated to be about $25 million for the fiscal year ending in 1955.

H. R. 9709 carries out this recommendation. Your committee believes that Federal civilian employees as a group are subject to the risk of unemployment on nearly the same scale as nongovernmental workers in the same type of work. In recent years, particularly, several extensive reductions in Federal personnel have demonstrated the real need for extending unemployment benefits to Federal employees. From a wartime peak of well over 3½ million employees in June 1945, Federal employment dropped by a million between 1945 and 1946 and dropped considerably more in the next few years, leveling off at about 2 million in June 1950. After a new increase due to the Korean conflict, Federal employment again fell off by nearly 247,000 between June 1952 and December 31, 1953.

Total annual separations of Federal employees are substantial. They have approximated around half a million each year. Of this total, the percentage which constitute involuntary separations, that is, reductions in force and terminations of temporary appointments, has varied from approximately 17 to 50 percent of total separations.

Your committee believes that the Federal Government should not be in the position of providing less favorable conditions of employment than are required of private employers. Yet, since Federal employees now have no unemployment-insurance protection, involuntarily separated Federal employees have been forced to rely upon accrued annual leave and refunds from their retirement accounts while looking for other jobs. Not only does this defeat the purpose of annual leave, but also, in many cases, the employee may have no such leave accumulation at all. Even where leave has been accumu-

lated, there is evidence that it has been inadequate to cover the duration of Federal workers' unemployment. Moreover, your committee believes that withdrawal of an employee's retirement-fund accumulations is undesirable and a defeat of the purpose of the retirement program.

H. R. 9709 provides for unemployment insurance for Federal civilian workers, with minor exceptions, who are employed in the United States, including Puerto Rico or the Virgin Islands, and elsewhere, if citizens of the United States. (Nearly all of the exceptions to coverage are identical with the categories of Federal workers excluded from the Social Security Act for purposes of the old-age and survivors insurance.) Unemployment compensation will be payable to such Federal workers who are unemployed after December 31, 1954. A Federal worker's rights to benefits are to be determined under the unemployment-compensation law of the State to which his Federal services and wages are assigned. Usually, this will be the State in which the worker had his official station when he became unemployed, or, if he has been in Foreign Service, the State in which he resides when he files his claim. Compensation will not be paid for the period with respect to which accrued annual leave is paid upon separation.

The Secretary of Labor is authorized to enter into agreements with each State, under which the State unemployment compensation agency will make benefit payments as agent for the United States and will be reimbursed by the United States for any additional costs of such payments. If a State does not have such an agreement, the Secretary will make the unemployment-compensation payments and will apply the benefit standards and other provisions of the law of such State. Unemployed workers filing a claim in Puerto Rico or the Virgin Islands will be paid according to the benefit standards and other provisions of the unemployment-compensation law of the District of Columbia.

Any estimates of the cost of the proposed unemployment benefits for Federal workers must necessarily be rough, since there is no experience in the payment of such benefits to Federal workers upon which to base the estimates. The cost will depend to a great extent upon governmental employment levels and turnover, and to some extent upon the overall economic and employment situation prevailing in the country. The Department of Labor estimates that for the last half of fiscal year 1955 the cost will be approximately $25 million. Thereafter, for a full year of operation, based on estimated separations in 1955 of 145,000, the cost will be approximately $35 million. The relatively larger cost for the first 6 months of operation will be due to a backlog of claimants at the start of operations. The backlog will consist of those Federal workers who have been separated by reduction of force or terminated prior to the date when benefits commence, who are unemployed and still eligible for benefits at that time.

SECTION-BY-SECTION ANALYSIS

Section 1. Definition of employer

This section extends the application of the Federal unemployment tax imposed by section 1600 of the Internal Revenue Code by amending section 1607 (a) of the code so as to provide that the term "employer" does not include any person unless on each of some 20 days

during the taxable year, each day being in a different calendar week, the total number of individuals who were employed by him in employment, as defined in section 1607 (c), for some portion of the day (whether or not at the same moment of time) was four or more. Thus, the definition of the term "employer" under the bill is the same as the definition of that term under existing law except for the substitution of the words "four or more" for "eight or more." This amendment is effective with respect to services performed after December 31, 1954. Since only a person who is an employer, as defined, for the taxable year in which the wages are paid is subject to the Federal unemployment tax, the amended definition of the term "employer" will be applicable in determining whether wages paid in 1955 or subsequent years are taxable.

Section 2. Experience rates for new employers

This section amends section 1602 (a) of the Internal Revenue Code to permit the States to extend rate reductions to new and newly covered employers after they have had a year's experience and yet retains the right of these employers to additional credit against their Federal unemployment tax with respect to such reduced rate. At present, the code allows employers to obtain additional credit against the Federal tax only after they have had 3 years' experience. This amendment ties the period of experience required before reductions in the State tax rate may be so credited, to the period of time the new employer has had experience under the law. Thus, if the State wishes to avail itself of this provision, the rate for an employer who has had a year's experience must be based on a year's experience, the rate for one who has had 2 years, on the basis of 2 years' experience. At the end of 3 or more years, the employer's experience would continue to be based, as at present, on 3 or more years of experience.

Section 3. Time for payment of tax

This section amends section 1605 (c) of the Internal Revenue Code so as to provide that after 1955 the total amount of the tax shall be paid not later than January 31 next following the close of the taxable year. Under existing law, the taxpayer may elect to pay the tax in four equal installments following the close of the taxable year instead of in a single payment. Section 3 of the bill also contains a conforming amendment to section 1605 (d) of the code.

Section 4 (a). Unemployment compensation for Federal employees

This section adds a new title XV to the Social Security Act to extend the unemployment compensation system to give Federal employees unemployment benefits under conditions set by the State in which they last worked with Federal reimbursement to the States of the amount of the costs. The specific provisions of this title are as follows:

Definitions.—This section defines six terms used in this title (a) "Federal service," (b) "Federal wages," (c) "Federal employee," (d) "compensation," (e) "benefit year" and (f) "Secretary." The definition of "Federal service" is the most important of these definitions since it establishes the type of service that is, and is not, to be covered by the law. It does this by stating in general terms that all service performed after 1952 in the employ of the United States or any instrumentality thereof which is wholly owned by the United States is to be covered. It then lists 12 categories of workers whose

services for the Federal Government are to be excluded from coverage even if the type of service they perform otherwise falls within the general definition. The categories excluded by this section are: elective officers; members of the Armed Forces; certain consular agents; certain Bonneville Power employees prior to January 1, 1955; aliens employed outside the United States; individuals who are paid on a contract or fee basis; Federal employees who receive compensation of $12 a year or less; patients or inmates of any Federal hospital, home or other institution; certain interns, student nurses and other student employees of Federal hospitals; individuals employed on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency; individuals employed under Federal unemployment relief programs; and members of State, county, or community committees under the Production and Marketing Administration and similar bodies, unless such bodies are composed exclusively of full-time Federal employees.

"Benefit year" is described in subsection (e) as meaning the benefit year defined in the applicable State unemployment compensation law, unless such State law does not define a benefit year, in which case, such term means the period prescribed in the agreement between the Secretary and the State agency or, in the absence of an agreement, the period prescribed by the Secretary. All State laws but one presently define the term "benefit year."

Compensation for Federal employees under State agreements.—This section authorizes the Secretary of Labor to enter into an agreement with any State or with the unemployment compensation agency of the State under which such agency will make payments to unemployed Federal employees, after December 31, 1954, as agent of the United States. Such payments are to be in the same amount and subject to the same terms and conditions as if the Federal service were covered under the unemployment compensation law of the State.

Determinations of the State agency are subject to the same administrative and judicial review as are determinations under the State unemployment-compensation law.

Each agreement is to provide the conditions upon which it may be amended or terminated.

Compensation for Federal employees in absence of State agreement.—This section provides that in the absence of a State agreement the Secretary of Labor is to make payments to unemployed Federal workers, after December 31, 1954, in the same amounts and subject to the same terms and conditions as would be paid to such Federal workers if their Federal service had been covered by the State law, with one significant exception. If a Federal worker meets the qualifying requirement for benefits under the law of a State, without regard to his Federal service and wages, then the Secretary is to make payment of compensation only on the basis of the individual's Federal service and Federal wages. In this manner duplication of benefit payments will be avoided.

Provision is also made for the payment of compensation to Federal employees who file a claim in Puerto Rico and the Virgin Islands. Since neither Puerto Rico nor the Virgin Islands have a general unemployment-compensation law, the Secretary is to make payments to such Federal workers in accordance with the unemployment-compensation law of the District of Columbia. Here, too, provision

is made to avoid duplicate payments if a Federal worker has worked in covered private employment in the District of Columbia.

Provision is also made for a fair hearing (administrative) for any Federal employee whose claim for compensation is denied by the Secretary, and any final determination is subject to review in the Federal courts.

The Secretary is authorized to utilize the personnel and facilities of the Puerto Rico and the Virgin Islands public-employment services and to delegate authority to officials of such agencies. The cost to these agencies of the administration of this act shall be added to and commingled with funds granted under the Wagner-Peyser Act of 1933 as amended.

State to which Federal service and wages are assignable.—This section prescribes the State law under which a Federal employee's rights to unemployment compensation will be determined. An individual's Federal service and Federal wages are to be assigned to the State in which he had his last official station in Federal service prior to his filing of his first claim for compensation with respect to a particular benefit year, with three exceptions: (1) If at the time that a Federal worker files such claim he resides in another State in which, after his separation from Federal service, he performed service covered under the State unemployment-compensation law, his Federal service and wages are to be assigned to such other State; (2) if his last official station in Federal service was outside of the United States his Federal service and wages are to be assigned to the State where he resides at the time he files his first claim with respect to the benefit year; (3) if such first claim is filed while he is residing in Puerto Rico or the Virgin Islands his Federal service and wages are to be assigned to Puerto Rico or the Virgin Islands. For the purpose of clause (2) above, the "United States" means the States, District of Columbia, Alaska, and Hawaii. It does not include Puerto Rico or the Virgin Islands.

It is contemplated that the assignment of an individual's Federal service and wages will not be changed during a benefit year. Furthermore, an assignment of Federal service and wages to a State is only to be with respect to the base period (the 1-year period for determining whether an individual has met the qualifying wage or employment requirement) specified in the unemployment-compensation law of that State. When the next benefit year for the individual is established, any additional Federal service and wages will again be assigned as is prescribed in this section. Whether they may be used will depend on whether they are in the individual's current base period.

Treatment of accrued annual leave.—Under this section an individual who receives a lump-sum payment for annual leave at the time of his separation from Federal service is considered to remain in Federal service during the period with respect to which he receives such payment, and such payment is considered to be "Federal wages." Any payments received during his Federal employment with respect to periods in which he is on leave are considered to be "wages." This section makes it clear that even after separation an individual may be considered as being in the Federal service for the period with respect to which he receives a terminal annual-leave payment.

Payments to States.—This section provides that the United States will pay to each State which has an agreement with the Secretary an

amount equal to the additional cost to the State of payments made to Federal workers. Such payments by the United States may be either by advances or reimbursements. Provision is made for the Secretary of Labor to certify periodically to the Secretary of the Treasury the amount payable to each State.

This section provides also that, for the purpose of payments of administrative costs of State unemployment-compensation laws, administration pursuant to an agreement under this title is to be considered as part of the administration of such State laws.

Information.—This section requires all Federal agencies subject to this title to furnish to State agencies, or to the Secretary where the program is not operated by a State, all information which the Secretary determines is necessary and practicable to determine whether a claimant is entitled to benefits. A further provision in this section places in these Federal agencies instead of the State agencies or the Secretary, the sole authority to make whatever findings are necessary on certain issues. These issues are (1) whether a worker is covered by this title, (2) the length of his period of covered service, (3) the amount of his covered wages, and (4) the reasons for termination of his service. The States, or the Secretary where appropriate, would continue to make the findings on all other issues, as well as the final determination as to whether the claimant is entitled to benefits. They would, for example, determine whether a particular reason for termination of a worker's service constitutes discharge for misconduct or some other disqualifying factor. Only the finding of the Federal agency as to the reason for termination as well as on the other three enumerated issues, would be final and binding on the State agency and the Secretary.

This section also requires State unemployment-compensation agencies to furnish necessary information to the Secretary of Labor.

Penalties.—This section prescribes a penalty of a fine of not more than $1,000 or imprisonment for not more than 1 year, or both, for knowingly making a false statement of a material fact or failing to disclose such a fact to obtain or increase benefits under the title for oneself or for another.

This section also provides that the State agency, or the Secretary where a State is not operating the program, may recover benefits received through such misrepresentation or nondisclosure by requiring repayment or by deductions from future benefits. Recovery by repayment or recoupment can be required only if the finding of misrepresentation or nondisclosure is made after the claimant has been given an opportunity for a fair hearing, with any right to further appeal which is appropriate under the appeal provisions of this title. The section also limits recovery by recoupment to the 2-year period following the finding of misrepresentation or nondisclosure.

Regulations.—This section authorizes the Secretary to make necessary rules and regulations, and directs him, insofar as practicable, to consult with representatives of State agencies beforehand.

Appropriations.—This section authorizes appropriations to carry out the purposes of this title.

Section 4 (b). Bonneville Power employees

This subsection contains conforming amendments to sections 1606 (c) and 1607 (m) of the Internal Revenue Code. These sections of the code permit coverage under the State unemployment-compensa-

tion programs of certain services performed in the employ of the Bonneville Power Administrator. Inasmuch as the employees performing these services will be covered under the provisions of title XV of the Social Security Act, as added by section 4 (a) of the bill, sections 1606 (e) and 1607 (m) of the code are made inapplicable with respect to such services performed after December 31, 1954.

CHANGES IN EXISTING LAW

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE

SEC. 1602. CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE.

(a) STATE STANDARDS.—A taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law, only if the Board finds that under such law—

(1) No reduced rate of contributions to a pooled fund or to a partially pooled account, is permitted to a person (or group of persons) having individuals in his (or their) employ except on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the three consecutive years immediately preceding the computation date; or

(2) No reduced rate of contributions to a guaranteed employment account is permitted to a person (or a group of persons) having individuals in his (or their) employ unless (A) the guaranty of remuneration was fulfilled in the year preceding the computation date; and (B) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls the the three years preceding the computation date by which contributions to such account were measured; and (C) such contributions were payable to such account with respect to three years preceding the computation date;

(3) No reduced rate of contributions to a reserve account is permitted to a person (or group of persons) having individuals in his (or their) employ unless (A) compensation has been payable from such account throughout the year preceding the computation date, and (B) the balance of such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three years preceding such date, and (C) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding such date by which contributions to such account were measured, and (D) such contributions were payable to such account with respect to the three years preceding the computation date.

For any person (or group of persons) who has (or have) not been subject to the State law for a period of time sufficient to compute the reduced rates permitted by paragraphs (1), (2), and (3) of this subsection on a three-year basis, the period of time required may be reduced to the amount of time the person (or group of persons) has (or have) had experience under or has (or have) been subject to the State law, whichever is appropriate, but in no case less than one year immediately preceding the computation date.

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SEC. 1605. PAYMENT OF TAXES.

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[(c) INSTALLMENT PAYMENTS.—The taxpayer may elect to pay the tax in four equal installments instead of in a single payment, in which case the first installment shall be paid not later than the last day prescribed for the filing of returns, the second installment shall be paid on or before the last day of the third month, the third installment on or before the last day of the sixth month, and the fourth installment on or before the last day of the ninth month, after such last day. If the tax or any installment thereof is not paid on or before the last day of the period fixed for its payment, the whole amount of the tax unpaid shall be paid upon notice and demand from the collector.]

(c) *TIME FOR PAYMENT.—The tax shall be paid not later than January 31, next following the close of the taxable year.*

(d) EXTENSION OF TIME FOR PAYMENT.—At the request of the taxpayer the time for payment of the tax [or any installment thereof] may be extended under regulations prescribed by the Commissioner with the approval of the Secretary, for a period not to exceed six months from the last day of the period prescribed for the payment of the tax [or any installment thereof]. The amount of the tax in respect of which any extension is granted shall be paid (with interest at the rate of one-half of 1 per centum per month) on or before the date of the expiration of the period of the extension.

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SEC. 1606. INTERSTATE COMMERCE AND FEDERAL INSTRUMENTALITIES.

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(e) The legislature of any State may, with respect to service to be performed after December 31, 1945, *and before January 1, 1955*, by a laborer, mechanic, or workman, in connection with construction work or the operation and maintenance of electrical facilities, as an employee performing service for the Bonneville Power Administrator (hereinafter called the Administrator), require the Administrator, who for purposes of this subsection is designated an instrumentality of the United States, and any such employee, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Board under section 1603 and to comply otherwise with such law. Such permission is subject to the conditions imposed by subsection (b) of this section upon permission to State legislatures to require contributions from instrumentalities of the United States. The Administrator is authorized and directed to comply with the provisions of any applicable State unemployment compensation law on behalf of the United States as the employer of individuals whose service constitutes employment under such law by reason of this subsection.

* * * * * * *

SEC. 1607. DEFINITIONS.

When used in this subchapter—

(a) EMPLOYER.—The term "employer" does not include any person unless on each of some twenty days during the taxable year, each day being in a different calendar week, the total number of individuals who were employed by him in employment for some portion of the day (whether or not at the same moment of time) was [eight] *four* or more.

* * * * * * *

(m) CERTAIN EMPLOYEES OF BONNEVILLE POWER ADMINISTRATOR.—The term "employment" shall include such service as is determined by the Bonneville Power Administrator (hereinafter called the Administrator) to be performed after December 31, 1945, *and before January 1, 1955*, by a laborer, mechanic, or workman, in connection with construction work or the operation and maintenance of electrical facilities, as an employee performing service for the Administrator. The term "wages" means, with respect to service which constitutes employment by reason of this subsection, such amount of remuneration as is determined (subject to the provisions of this section) by the Administrator to be paid for such service. The Administrator is authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection.

SOCIAL SECURITY ACT

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TITLE XV—UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES

DEFINITIONS

SEC. 1501. When used in this title—

(a) The term "Federal service" means any service performed after 1952 in the employ of the United States or any instrumentality thereof which is wholly owned by the United States, except that the term shall not include service performed—

(1) by an elective officer in the executive or legislative branch of the Government of the United States;

(2) as a member of the Armed Forces of the United States;

(3) by foreign service personnel for whom special separation allowances are provided by the Foreign Service Act of 1946 (60 Stat. 999);

(4) prior to January 1, 1955, for the Bonneville Power Administrator if such service constitutes employment under section 1607 (m) of the Internal Revenue Code;

(5) outside the United States by an individual who is not a citizen of the United States;

(6) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

(7) by any individual as an employee receiving nominal compensation of $12 or less per annum;

(8) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

(9) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

(10) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

(11) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment; or

(12) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States.

For the purpose of paragraph (5) of this subsection, the term "United States" when used in a geographical sense means the States, Alaska, Hawaii, the District of Columbia, Puerto Rico, and the Virgin Islands.

(b) The term "Federal wages" means all remuneration for Federal service, including cash allowances and remuneration in any medium other than cash.

(c) The term "Federal employee" means an individual who has performed Federal service.

(d) The term "compensation" means cash benefits payable to individuals with respect to their unemployment (including any portion thereof payable with respect to dependents).

(e) The term "benefit year" means the benefit year as defined in the applicable State unemployment compensation law; except that, if such State law does not define a benefit year, then such term means the period prescribed in the agreement under this title with such State or, in the absence of an agreement, the period prescribed by the Secretary.

(f) The term "Secretary" means the Secretary of Labor.

COMPENSATION FOR FEDERAL EMPLOYEES UNDER STATE AGREEMENTS

SEC. 1502. (a) The Secretary is authorized on behalf of the United States to enter into an agreement with any State, or with the agency administering the unemployment compensation law of such State, under which such State agency (1) will make, as agent of the United States, payments of compensation, on the basis provided in subsection (b) of this section, to Federal employees, and (2) will otherwise cooperate with the Secretary and with other State agencies in making payments of compensation under this title.

(b) Any such agreement shall provide that compensation will be paid by the State to any Federal employee, with respect to unemployment after December 31, 1954, in the same amount, on the same terms, and subject to the same conditions as the compensation which would be payable to such employee under the unemployment compensation law of the State if the Federal service and Federal wages of such employee assigned to such State under section 1504 had been included as employment and wages under such law.

(c) Any determination by a State agency with respect to entitlement to compensation pursuant to an agreement under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in such manner and to such extent.

(d) Each agreement shall provide the terms and conditions upon which the agreement may be amended or terminated.

COMPENSATION FOR FEDERAL EMPLOYEES IN ABSENCE OF STATE AGREEMENT

SEC. 1503. (a) In the case of a Federal employee whose Federal service and Federal wages are assigned under section 1504 to a State which does not have an agreement under this title with the Secretary, the Secretary, in accordance with regulations prescribed by him, shall, upon the filing by such employee of a claim for compensation under this subsection, make payments of compensation to him with respect to unemployment after December 31, 1954, in the same amounts, on the same terms, and subject to the same conditions as would be paid to him under the unemployment compensation law of such State if such employee's Federal service and Federal wages had been included as employment and wages under such law, except that if such employee, without regard to his Federal service and Federal wages, has employment or wages sufficient to qualify for any compensation during the benefit year under the law of such State, then payments of compensation under this subsection shall be made only on the basis of his Federal service and Federal wages.

(b) In the case of a Federal employee whose Federal service and Federal wages are assigned under section 1504 to Puerto Rico or the Virgin Islands, the Secretary, in accordance with regulations prescribed by him, shall, upon the filing by such employee of a claim for compensation under this subsection, make payments of compensation to him with respect to unemployment after December 31, 1954, in the same amounts, on the same terms, and subject to the same conditions as would be paid to him under the unemployment compensation law of the District of Columbia if such employee's Federal service and Federal wages had been included as employment and wages under such law, except that if such employee, without regard to his Federal service and Federal wages, has employment or wages sufficient to qualify for any compensation during the benefit year under such law, then payments of compensation under this subsection shall be made only on the basis of his Federal service and Federal wages.

(c) Any Federal employee whose claim for compensation under subsection (a) or (b) of this section has been denied shall be entitled to a fair hearing in accordance with regulations prescribed by the Secretary. Any final determination by the Secretary with respect to entitlement to compensation under this section shall be subject to review by the courts in the same manner and to the same extent as is provided in section 205 (g) with respect to final decisions of the Secretary of Health, Education, and Welfare under title II.

(d) The Secretary may utilize for the purposes of this section the personnel and facilities of the agencies in Puerto Rico and the Virgin Islands cooperating with the United States Employment Service under the Act of June 6, 1933 (48 Stat. 113), as amended, and may delegate to officials of such agencies any authority granted to him by this section whenever the Secretary determines such delegation to be necessary in carrying out the purposes of this title. For the purpose of payments made to such agencies under such Act, the furnishing of such personnel and facilities shall be deemed to be a part of the administration of the public employment offices of such agencies.

STATE TO WHICH FEDERAL SERVICE AND WAGES ARE ASSIGNABLE

SEC. 1504. In accordance with regulations prescribed by the Secretary, the Federal service and Federal wages of an employee shall be assigned to the State in which he had his last official station in Federal service prior to the filing of his first claim for compensation for the benefit year, except that—

(1) if, at the time of the filing of such first claim, he resides in another State in which he performed, after the termination of such Federal service, service covered under the unemployment compensation law of such other State, such Federal service and Federal wages shall be assigned to such other State;

(2) if his last official station in Federal service, prior to the filing of such first claim, was outside the United States, such Federal service and Federal wages shall be assigned to the State where he resides at the time he files such first claim; and

(3) if such first claim is filed while he is residing in Puerto Rico or the Virgin Islands, such Federal service and Federal wages shall be assigned to Puerto Rico or the Virgin Islands.

TREATMENT OF ACCRUED ANNUAL LEAVE

SEC. 1505. For the purposes of this title, in the case of a Federal employee who is performing Federal service at the time of his separation from employment by the United States or any instrumentality thereof, (1) the Federal service of such employee shall be considered as continuing during the period, subsequent to such separation, with respect to which he is considered as having received payment of accumulated and current annual or vacation leave pursuant to any Federal law, and (2) subject to regulations of the Secretary concerning allocation over the period, such payment shall constitute Federal wages.

PAYMENTS TO STATES

SEC. 1506. (a) Each State shall be entitled to be paid by the United States an amount equal to the additional cost to the State of payments of compensation made under and in accordance with an agreement under this title which would not have been incurred by the State but for the agreement.

(b) In making payments pursuant to subsection (a) of this section, there shall be paid to the State, either in advance or by way of reimbursement, as may be determined by the Secretary, such sum as the Secretary estimates the State will be entitled to receive under this title for each calendar month, reduced or increased, as the case may be, by any sum by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made upon the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency.

(c) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State sums payable to such State under this section. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, from the funds for carrying out the purposes of this title.

(d) All money paid a State under this title shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned, at the time specified in the agreement under this title, to the Treasury and credited to current applicable appropriations, funds, or accounts from which payments to States under this title may be made.

(e) An agreement under this title may require any officer or employee of the State certifying payments or disbursing funds pursuant to the agreement, or otherwise participating in its performance, to give a surety bond to the United States in such amount as the Secretary may deem necessary, and may provide for the payment of the cost of such bond from funds for carrying out the purposes of this title.

(f) No person designated by the Secretary, or designated pursuant to an agreement under this title, as a certifying officer, shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to the payment of any compensation certified by him under this title.

(g) No disbursing officer shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this title if it was based upon a voucher signed by a certifying officer designated as provided in subsection (f) of this section.

(h) For the purpose of payments made to a State under title III, administration by the State agency of such State pursuant to an agreement under this title shall be deemed to be a part of the administration of the State unemployment compensation law.

INFORMATION

SEC. 1507. (a) All Federal departments, agencies, and wholly owned instrumentalities of the United States are directed to make available to State agencies which have agreements under this title or to the Secretary, as the case may be, such information with respect to the Federal service and Federal wages of any Federal employee as the Secretary may find practicable and necessary for the determination of such employee's

entitlement to compensation under this title. Such information shall include the findings of the employing agency with respect to—

(1) whether the employee has performed Federal service,

(2) the periods of such service,

(3) the amount of remuneration for such service, and

(4) the reasons for termination of such service.

The employing agency shall make the findings in such form and manner as the Secretary shall by regulations prescribe (which regulations shall include provision for correction by the employing agency or errors or omissions). Any such findings which have been made in accordance with such regulations shall be final and conclusive for the purposes of sections 1502 (c) and 1503 (c).

(b) The agency administering the unemployment compensation law of any State shall furnish to the Secretary such information as the Secretary may find necessary or appropriate in carrying out the provisions of this title, and such information shall be deemed reports required by the Secretary for the purposes of paragraph (6) of subsection (a) of section 303.

PENALTIES

SEC. 1508. (a) Whoever makes a false statement or representation of a material fact knowing it to be false, or knowingly fails to disclose a material fact, to obtain or increase for himself or for any other individual any payment authorized to be paid under this title or under an agreement thereunder shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

(b) (1) If a State agency or the Secretary, as the case may be, or a court of competent jurisdiction, finds that any person—

(A) has made, or has caused to be made by another, a false statement or representation of a material fact knowing it to be false, or has knowingly failed, or caused another to fail, to disclose a material fact, and

(B) as a result of such action has received any amount as compensation under this title to which he was not entitled,

such person shall be liable to repay such amount to the State agency or the Secretary, as the case may be. In lieu of requiring the repayment of any amount under this paragraph, the State agency or the Secretary, as the case may be, may recover such amount by deductions from any compensation payable to such person under this title during the two-year period following the date of the finding. Any such finding by a State agency or the Secretary, as the case may be, may be made only after an opportunity for a fair hearing, subject to such further review as may be appropriate under sections 1502 (c) and 1503 (c).

(2) Any amount repaid to a State agency under paragraph (1) shall be deposited into the fund from which payment was made. Any amount repaid to the Secretary under paragraph (1) shall be returned to the Treasury and credited to the current applicable appropriation, fund, or account from which payment was made.

REGULATIONS

SEC. 1509. The Secretary is hereby authorized to make such rules and regulations as may be necessary to carry out the provisions of this title. The Secretary shall insofar as practicable consult with representatives of the State unemployment compensation agencies before prescribing any rules or regulations which may affect the performance by such agencies of functions pursuant to agreements under this title.

APPROPRIATIONS

SEC. 1510. There are hereby authorized to be appropriated out of any moneys not otherwise appropriated such sums as are necessary to carry out the provisions of this title.

SUPPLEMENTAL VIEWS ON H. R. 9709

While it would bring certain minor benefits to workers not presently covered, this bill does nothing to repair the basic weaknesses or to meet the most pressing needs of the unemployment insurance system. While it represents virtually the entirety of the administration's program for Federal action in this field, it is really not a program at all but a feeble token gesture serving as a gloss to cover the absence of a program. It demonstrates an unwillingness to take the kind of action that is demanded by the present serious economic situation and by the defects and inadequacies that have undermined the effectiveness of unemployment insurance as a weapon against rising unemployment.

Serious unemployment is an actuality at the present time, with all the human tragedy and suffering which is connected with unemployment. It is far from a theoretical threat, which some would have us believe. Including workers involuntarily on short time, about 8.5 percent of the labor force is now suffering from unemployment. Employment in the manufacturing, mining, and transportation industries alone had declined 2 million in May of this year from what it was in May of 1953. The economy of the country cannot carry unemployment in proportions such as these without serious consequences.

A major contribution to our sagging economy at this time would be realistic and adequate improvements in unemployment insurance. This can only be accomplished by action on the part of the Federal Government.

What does the majority bill do? It only extends coverage and reduces the time in which a new employer can get an experience rating and thereby a tax reduction. The bill does not even cover employers with 1 to 3 employees, or cover marginal agricultural processing workers, as the administration recommended.

Nothing in this bill will add one penny to the payments of the great majority of workers who are already covered by unemployment insurance.

Unfounded claims may be made that the administration is recommending and Congress is enacting extensive improvements in the Federal-State system. Certainly this bill does not justify such claims. Nor does the other bill passed by the House last year, H. R. 5173. That bill would seriously weaken the ability of the Federal Government to carry out proper Federal responsibilities. It gives no permanent aid to States with heavy unemployment problems. It lends them money, but with harsh repayment provisions, so they would have to reduce rather than raise benefits.

The administration has failed to recommend basic improvements at the Federal level in the unemployment insurance program. Instead, it has sought to shift this responsibility to the States by suggesting that they make the needed improvements. An exhortatory

letter of suggestions from Washington will not bring about adequate benefits.

It is the duty and the responsibility of the Federal Government to bring about improvements in unemployment insurance by establishing minimum standards for size of weekly payments, duration of payments, in disqualifications, and in financing. Only by such action can the system be made adequate to carry out its intended purpose of providing basic protection to unemployed workers.

About 40,000 workers a week are exhausting their rights to the pitifully inadequate payments now provided under State laws. The average payment is less than $25 a week, and this is not even enough to meet nondeferrable expenses. The unemployed are being forced to use up what little savings they may have, and then turn to public assistance, if they can get it.

The problems at the present time arise not because there is a shortage in funds, in most States, but because of the great reluctance of the States, each under pressure to compete with all the others in holding down payments and taxes, to provide adequate benefits. Large reserve funds have been accumulated, reaching a level of almost $9 billion at the end of 1953. Yet only about $1 out of each $5 in lost wages and salaries is being replaced by unemployment insurance payments. This is not sufficient to ease substantially the impact of unemployment and to avoid its repercussions on the economy of the country as a whole, and particularly in local communities where there is substantial unemployment.

Benefits have lagged seriously behind average weekly wages since the program was established in the Social Security Act of 1935. While average weekly wages in covered employment tripled between 1936 and 1953, payment ceilings for unemployment insurance purposes on the average did not even double. Wages have been increasingly outdistancing ceilings on weekly insurance payments, until now they represent only about two-fifths of the average weekly earnings, compared with the figure of two-thirds of such earnings in the 1930's. It is said that proportionately lower payment ceilings are justified because the hours of work and premium overtime are greater now than in 1936. Statistics fail to bear out this contention. Average weekly hours in manufacturing for the year 1936 were 39. For the last quarter of 1953, they were also about 39. Moreover, today workers who are laid off lose substantial rights to pensions, health benefits, and other types of protection as well as seniority rights.

Since the inauguration of the program, employers have received far more proportionately from unemployment insurance funds in the form of tax reductions than workers have received in the form of benefit increases. The average tax paid by employers now is less than half of the level originally projected for them when the program was established. While the contributions of employers have been reduced by over one-half, the average weekly payments for workers declined relatively from 43 percent of average weekly wages in covered employment in 1938 to 33 percent in 1953, and the proportion of workers whose benefits were depressed by payment ceilings rose from less than one-quarter to over one-half of the compensated weeks of total unemployment.

We agree fully with the present administration that something must be done and be done quickly to improve the Federal-State

unemployment payments programs; however, we do not agree that this responsibility should be passed to the States. This is not the proper way for our national leadership to discharge an obligation that properly rests with it. Experience has shown that very little will be done to carry out the suggestions and recommendations of the present administration. The friends of the Federal-State unemployment insurance program have for years endeavored to bring about improvements in it at the Federal level.

In our opinion, the present administration has completely ignored its responsibilities in the field of unemployment insurance. This is not hard to understand, when we recall that high-ranking officials in the present administration have openly bragged about the fact that this is a businessman's administration. Be that as it may, it would still appear obvious that the best interests of the economy of the country would be served by vigorous Federal action to restore the unemployment insurance program to at least a minimum standard of decency and fairness. The value of the Federal-State unemployment insurance program has been proved time and again, not only to the workers concerned but also to businessmen and to the communities involved in unemployment. Everyone stands to gain if this program is brought up to par and to lose if it is permitted to deteriorate.

Positive action is required on the part of the Federal Government at this time, and we have sponsored a bill calling for positive action. This bill, H. R. 9430, was introduced by Mr. Forand, who is signing this report, and cosponsored by 86 other Members of the House. Its major provisions follow:

I. PAYMENTS

The maximum primary payment under State laws would be not less than 66⅔ percent of the State's average weekly wage. Subject to this maximum, each individual's primary payment would be not less than 50 percent of his weekly wages. The effect of these provisions would be to raise the maximums in most States by between $10 and $20. (President Eisenhower and Secretary of Labor Mitchell early this year urged the States to adopt similar standards. No State has done so.)

II. DURATION

Payments would be made to all unemployed insured individuals for a period of not less than 39 weeks. (Only 4 States now provide 26 weeks to all workers; President Eisenhower and Secretary Mitchell urged the others to do the same; none has done so.)

III. DISQUALIFICATIONS

States would be prohibited from unfairly denying payments to workers by limiting the reasons for which they may be disqualified, by setting forth the types of disqualifications, and by preventing oversevere eligibility requirements.

A. An individual who is able to work and available for suitable work could be disqualified only for the following reasons and for periods not in excess of those noted:

(*a*) Leaving suitable work without good cause (including good personal reasons)—for a period not in excess of 4 weeks;

(*b*) Discharge for misconduct connected with the work—for a period not in excess of 4 weeks;

(*c*) Refusing suitable work without good cause (including good personal reasons)—for a period not in excess of 4 weeks;

(*d*) For any week in which his unemployment is due to a stoppage of work which exists because of a strike at the unemployed worker's plant, provided that unemployment due to a strike occasioned by the following actions of the employer shall be compensated:

(1) The failure or refusal of the employer to conform to Federal or State laws pertaining to collective bargaining or to wages, hours, or other conditions of work;

(2) The employer's insistence on wages, hours, or other conditions of work less favorable than those prevailing for similar work in the locality.

B. Standards of suitability of work would be spelled out in the bill along the lines of the standards contained in section 1603 (a) (5) of the Internal Revenue Code. In addition, the bill would set forth general criteria which would have to be taken into account in determining whether the disqualification for refusing or leaving work should be applied.

IV. COVERAGE

Would be broadened to resemble the coverage of the old-age and survivors insurance program. Employers who have one or more individuals in their employ at any time during the taxable year would be covered.

V. FINANCING

A. States would be permitted to provide for uniform rate reductions to all employers as well as individual experience-rated reductions.

B. Proceeds of the Federal Unemployment Tax Act would be earmarked in a Federal unemployment account in the Federal Treasury. Such account would be used for (*a*) paying the Federal and State administrative expenses (including the establishment of a contingency fund) and (*b*) reinsurance grants to those States who are in financial difficulty because of high rates of unemployment. These grants would have appropriate safeguards but no harsh repayment strings. They would permit States with unusually heavy unemployment to make adequate payments without raising employer taxes so far above levels in other States as to accelerate the outmigration of industry.

The States would be required to improve their laws by July 1, 1955, to meet the new standards provided in the bill. In the meantime, the Federal Government would provide funds for making payments to unemployed workers up to the standards set forth in the bill.

Legislation along the lines of this bill offers the best and probably the only hope that workers will receive adequate protection, and that the unemployment insurance program will once again perform its broad economic function of maintaining purchasing power during periods of unemployment.

The opponents of an adequate unemployment insurance program argue that if payments are increased, wage earners will not have the incentive to work which they would otherwise have. This is nonsense, and an insult to American workers. They want jobs, not pay

for idleness. The opponents also argue in the States that if the amounts of payments or taxes are increased, industry will not be attracted to a State and will go elsewhere. If this argument is true, it is even more important that the Federal Government establish standards for payments and payment durations. To allow the present trend to continue is to obstruct and interfere with commerce among the several States and to weaken the national economy, well-being, and security.

We have set forth only a few of the arguments as to why payments and duration of payments should be increased. We are convinced that the approach taken by the administration, while recognizing the need for an increase in weekly payments and in duration of payments, will lead to few if any results. Unemployment is governed by nationwide economic forces, and should be dealt with on a nationwide basis. The proposals in the bill which we have sponsored would so deal with these problems, but the reported bill and the administration would not.

This Congress is about to go home to face millions of unemployed workers. It will go with empty hands, so far as meeting their needs for unemployment insurance payments adequate as to weekly amounts and number of weeks' duration. They have asked us for bread, paid for on insurance principles; we are about to give them a stone.

We recommend adoption of the provisions of H. R. 9430, which is the only practical way to implement President Eisenhower's recommendations that payments be increased in amount and extended in number of weeks' duration. Again, for practical purposes, President Eisenhower's overall legislative program has been abandoned by his own party.

JOHN D. DINGELL.
AIME J. FORAND.
HERMAN P. EBERHARTER.
CECIL R. KING.
THOMAS J. O'BRIEN.

DISSENTING VIEWS OF HON. JOHN W. BYRNES

I respectfully dissent from the action of the committee taken with respect to sections 1 and 2 of H. R. 9709. Section 1 provides for the application of the Federal Unemployment Tax Act to employers of 4 or more in 20 weeks. Section 2 permits the establishment of an experience rating based on a minimum employment record of 1 year for employers not having a 3-year record as provided under existing law. In my opinion, present law should be continued with respect to both of these provisions.

JOHN W. BYRNES.